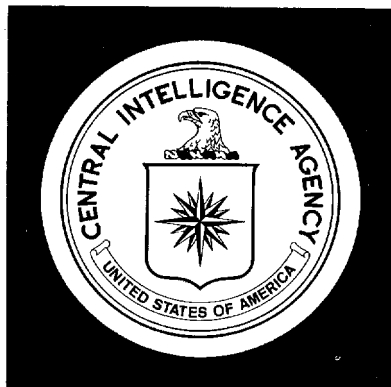


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# Weekly Summary

State Dept. review completed.

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April 1, 1977

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The WEEKLY SUMMARY, issued every Friday morning by the Current Reporting Group, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Regional and Political Analysis, the Office of Economic Research, the Office of Strategic Research, the Office of Scientific Intelligence, the Office of Weapons Intelligence, and the Office of Geographic and Cartographic Research.

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## Middle East-Africa

### ZAIRE

4-10

More of Shaba Region has fallen under the control of dissident former Katangan soldiers who invaded the area last month from Angola. Zairian President Mobutu, faced with the possible disintegration of his army, appears to be desperately seeking the help of foreign forces.

In recent days, the Katangans advanced eastward in the southern part of Shaba. They took over the town of Mutshatsha on March 25—capturing large quantities of ammunition and fuel—and have continued some distance beyond. A major objective is the city of Kolwezi, an important industrial center in the country's vital copper belt.

Zairian forces in Shaba, although reinforced several times, are continuing to offer little resistance. The morale of the government troops is extremely low, and they often fall back in disarray when Katangans approach; many are deserting. Zairian commanders are also handicapped by poor communications and inadequate information. They apparently have little idea of the strength and locations of Katangan units.

Mobutu has replaced many of his army commanders in Shaba and has put a capable officer in charge of the defense of Kolwezi. The President is apparently considering the employment of foreign mercenaries; such troops have played key roles in past crises in Zaire.

The Katangans' advance, according to the US consulate in Lubumbashi, is beginning to stir long dormant feelings among the Shaban people, who have been denied political expression under Mobutu's rule. So far, they seem to be

thinking more in terms of Mobutu's replacement than of a new attempt to establish an independent "Katanga."

The government, always suspicious of the Shabans' loyalty, has stepped up its efforts to limit political dissent. Numerous arrests have been made, especially of persons who were active in the secessionist movement of the early 1960s.

Further deterioration of the government's position in Shaba—especially the loss of Kolwezi—might endanger Mobutu's position in Kinshasa.

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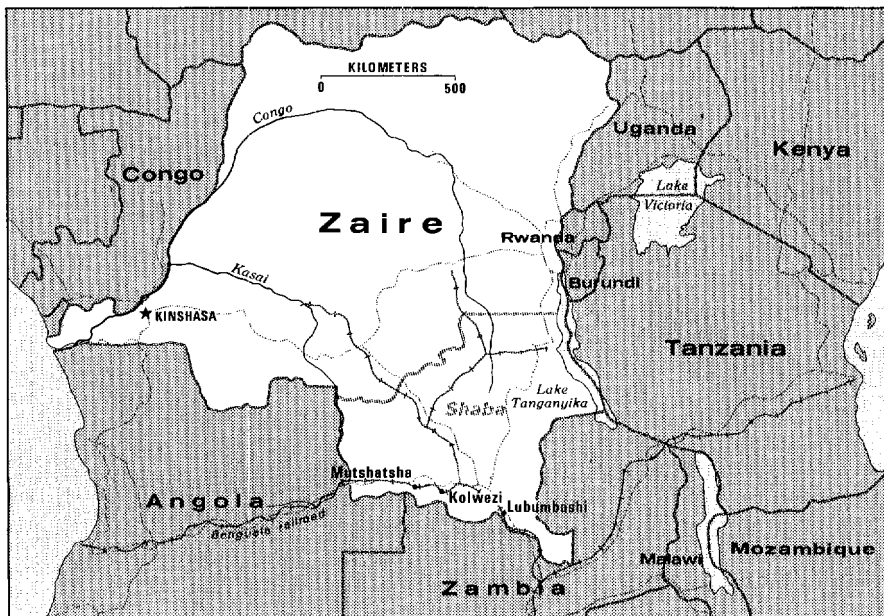
### LEBANON

19-22

President Sarkis, under pressure from the Syrians, took an important step this week toward rebuilding the fractured Lebanese army by replacing its hard-line Christian commander with a moderate Christian officer. In the process, Sarkis won a round from extremist Christian leader Camille Shamun, who had tried to block the change.

The pre-civil war Lebanese army of about 15,000 men disintegrated during the long conflict between the Christians and the Muslim-leftist coalition. The largest organized group at present is an all-Christian group, numbering several thousand men, that has an excessive proportion of officers; it is based in a Christian suburb of Beirut and until this week continued to be headed by General Hanna Said, a rightist Christian backed by Shamun.

Said's removal had become a prerequisite to further efforts to rebuild a national army, an early objective of Sarkis and the Syrians. Said had dragged his feet on reintegrating Muslim officers and was coordinating the military cam-



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President Sarkis

paign being waged in southern Lebanon by Israeli-supported Christian militiamen against Palestinians and Lebanese leftists.

Said, clearly with Shamun behind him, initially resisted dismissal, threatening to take command of the Christian militias and attempt to establish a Christian enclave in the south. The Shamunists called a protest strike for March 29.

In the end, however, the Christian hardliners backed off; they were probably influenced in part by the Syrians' evident intention to move against the strike and by Sarkis' success in getting the moderate leader of the Christian Phalanges Party to dissociate his group from the strike call. On March 30, Sarkis' man, Victor Khoury, was installed as army commander in a ceremony attended by Said. Khoury will probably have the support of Muslim and most Christian officers.

Sarkis and the Syrians want to move ahead as rapidly as possible with the reconstruction of the army so that it can be used to restore the government's authority in southern Lebanon. The Arab

peacekeeping force, composed mainly of Syrian troops, is precluded from playing a role in that area because of Israeli objections.

## International

### OPEC

Members of the Organization of Petroleum Exporting Countries have succeeded in maintaining their purchasing power despite increases, because of inflation, in the prices of the goods they import from the West.

Oil price hikes since early 1974 roughly equal the rise in import prices for OPEC

countries. From the first quarter of 1974 until March of this year, OPEC import costs in the aggregate increased 23 to 24 percent. Over the same time period, oil prices measured in terms of benchmark crude have risen at least 25 percent.

Many OPEC members have argued that a large catch-up oil price increase is needed to offset Western inflation. Price data on imports gathered in some OPEC countries probably support their claims, but OPEC members' figures are often distorted by costs unrelated to Western inflation—such as demurrage charges, pilferage, and domestic "commissions."

OPEC members' earnings on financial assets also have equaled or exceeded the increases in OPEC import prices over the last three years. Measured in dollar terms, OPEC members probably earned nearly 9 percent on their foreign assets in 1974 and had returns of 5.6 percent and 5.8 percent in 1975 and 1976, respectively.

The return on OPEC's foreign assets, however, is low in comparison to what it could be if the assets were managed differently. The low rate of return reflects the large proportion of OPEC funds still invested in short-term assets, which carry low interest rates, and the losses incurred in the dollar value of OPEC investments because of sterling's decline.

Short-term dollar assets, which accounted for about half of the OPEC portfolio in 1976, earned an average of 4.8 percent last year. Medium- and long-term dollar assets earned 6.8 percent. OPEC earned 11 percent on its sterling portfolio in 1976, but the decline of the pound against the dollar resulted in a negative dollar rate of return for the year.

To increase the yield in their investments, some OPEC members are investing more heavily in longer term assets. This shift makes OPEC investments more vulnerable to an increase in Western inflation. By opting now for longer term assets and higher yields, OPEC members are committing themselves to an interest-rate structure that, unlike short-term yields, will not rise sharply if Western inflation increases dramatically again.

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## South Asia

INDIA 23-30

Prime Minister Desai this week overcame post-election squabbling among the diverse groups that support him and, with the help of prestigious elder statesman Jayaprakash Narayan, put together his first cabinet. The difficulty of the political negotiations does not augur well for the government's stability or its capacity to cope with important national problems.

Desai's most difficult problem was satisfying Jagjivan Ram, a leader of India's large untouchable community and a key figure in the election campaign, who had hoped to become prime minister. Ram was also angered by the way Desai had been selected—in effect, he was appointed by Narayan and another elder statesman—and it took several days to persuade Ram to participate in the cabinet as defense minister.

In the end, Ram's party and the four disparate groups that make up Desai's Janata Party each received about the same number of portfolios. Janata is essentially a united front of socialists, economic conservatives, and Hindu nationalists whose only bond was their common determination to defeat Gandhi. Its leaders are not apt to think alike on many aspects of government policy. The appointment of Atal Behari Vajpayee as external affairs minister, for example, is probably more indicative of the need to give the leader of the Hindu nationalists an important portfolio than it is of the future direction of Indian foreign policy.

State politics may pose the most immediate test of the new government's unity. In the wake of the Congress Party's defeat in the national election, Congress-controlled governments in states throughout northern India are in serious trouble; should they fall, the selection of candidates for state elections could cause considerable friction among Desai sup-

porters and expose the fragility of the Janata Party. Desai faces an immediate problem in Kashmir. The state's chief minister—who has spent most of the past 30 years in jail for advocating greater autonomy for the state—resigned and called for new elections after the Congress Party withdrew its support of his government. Rioting has broken out in the state capital.

In West Bengal, the Marxist Communists, who won the most seats in the state in the parliamentary election, are trying to engineer the downfall of the Congress Party state government. They may hope—probably in vain—that Desai will agree to give them control in West Bengal in exchange for their support in the national government. Two previous communist governments in West Bengal brought the state to the verge of collapse.

### Soviet Reaction 31-35

Former prime minister Gandhi's electoral defeat was clearly a blow to the Soviets. It deprives them of their strongest supporter in official Indian circles and raises the possibility that the special relationship they have had with India—particularly since the Soviet-Indian friendship treaty was signed in

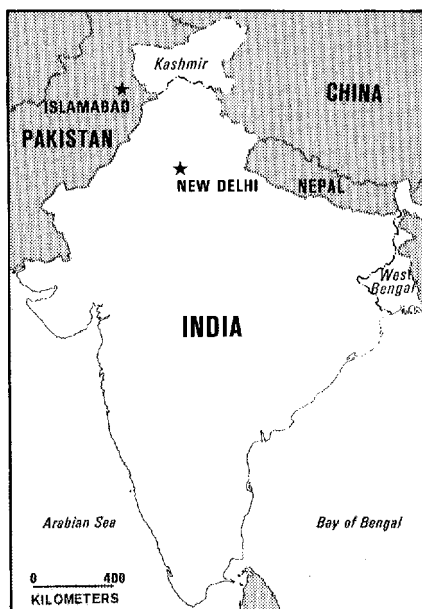
1971—may have ended. Prime Minister Desai was critical of the treaty during the campaign; in his first press conference as Prime Minister, he said that India would not have a special relationship with any nation.

The US embassy in Moscow reports that a Soviet foreign affairs official called the defeat of Gandhi and her Congress Party "a big surprise" to the USSR. Before the election, the Soviet consulate in Calcutta reportedly predicted that Gandhi would easily win a working majority and that the pro-Moscow Communist Party would do well. The party lost 16 of the 23 seats it held in Parliament.

Moscow had tried to help Gandhi win. Early this year, the Soviets agreed to provide oil to India on highly advantageous terms for the Indians and were prepared to send President Podgorny to India on the eve of the elections. Although unhappy with the way the pro-Moscow Communist Party of India had fared under her rule, the Soviet Central Committee also officially instructed the party to aid Gandhi in the election. The Indian Communists, however, did not cooperate with her to the extent they had in the past, and since foreign policy was not a significant campaign issue, Soviet support for Gandhi had little impact.

Moscow will now try to mend its fences with India's new leaders and has started by criticizing Gandhi. *Izvestia* on March 22 blamed her defeat on her failure to assess popular sentiment correctly, her policy excesses, and her refusal to work with the Indian Communists. The Soviets will continue to maintain contacts with the Congress Party, but their first priority now is to pay court to Desai. Moscow will also no doubt try to improve its relations with India's neighbors, Pakistan and Bangladesh.

Desai's government probably will continue to rely on Soviet military aid and actively pursue economic relations, but the Prime Minister will probably try to lessen Indian dependence on the USSR and to increase contacts with Western Europe and the US.



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36-40

## PAKISTAN

The confrontation between the opposition Pakistan National Alliance, which charges that the parliamentary election last month was rigged, and Prime Minister Bhutto continued inconclusively during the past week and may go on for some time. Bhutto is still offering to work out a compromise with his opponents, but has made it clear he intends to govern Pakistan with or without their cooperation.

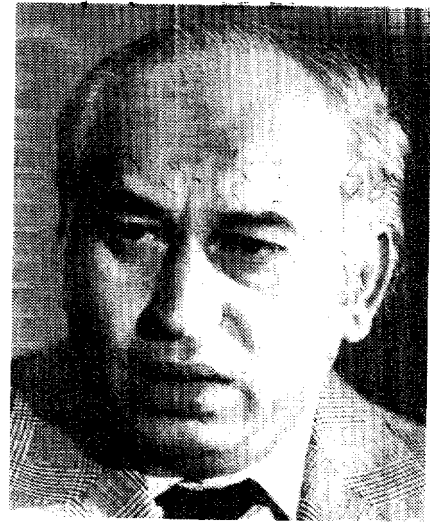
The Prime Minister presumably hopes that this strategy will eventually force the opposition to settle for less than its full demands—his resignation and a new election—and to participate in the political process. Successful opposition candidates in the recent election have refused to take their seats in the National Assembly.

In a speech to the assembly on March 28, following his formal reelection as prime minister, Bhutto again expressed willingness to negotiate with the opposition leaders. In a new inducement to them to bargain with him, he indicated that if they did so he would comply with their demand for an end to the state of emergency and for the release of political prisoners.

Two days later, Bhutto demonstrated his determination to get on with the business of governing the country by naming his new cabinet. It does not seem to portend any major policy changes. Bhutto apparently will retain the ministries of defense and home affairs himself, probably reflecting a desire to have direct control over the security forces during the current confrontation.

The Prime Minister has already shown that he will use harsh and repressive measures to keep himself in power. Almost all major opposition leaders have been arrested, and thousands of their followers are reportedly being detained. The two most troublesome cities—Karachi and Hyderabad—are now under military control.

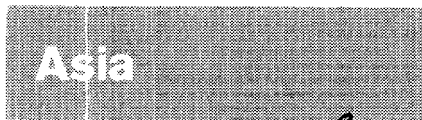
The opposition nevertheless has continued to reject all of Bhutto's offers and shows no sign of giving up its effort to disturb public order sufficiently to induce the military to intervene and remove Bhutto from office. The alliance succeeded in paralyzing major cities during the one-day general strike it held on March 26. Anti-Bhutto demonstrations and brief clashes between police and protestors continued this week.



Prime Minister Bhutto

So far, however, the opposition has not been able to create the conditions under which Bhutto might be forced from office, and as time goes on it may have difficulty sustaining the current, essentially peaceful campaign. In that event, the opposition drive might fall under the control of more radical leaders, who would turn increasingly to violence.

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## THAILAND

41-43

The abortive coup attempt last weekend against the military-backed government of Prime Minister Thanin represented an effort by an ambitious retired army general to capitalize on dissatisfaction that has been simmering in the army since direct military rule ended in 1973.

The coup, which was poorly planned and poorly implemented, was instigated by former deputy army commander Chalath Hiranyasiri, who was forced out last fall because of his constant political maneuvering. Chalath's limited

force—about 300 men—initially seized supreme command headquarters, the tactical operations center, and Radio Thailand, but these successes were neutralized within hours. The murder of First Division Commander General Arun Thawathasin, who was close to the royal family, probably helped cool any initial impulse on the part of other troop commanders to join the rebels.

A government attempt, after the collapse of the coup move, to get Taiwan or some other country in the region to grant asylum to Chalath and the four other officers who had led the move was unsuccessful. The five are in custody, and the government is conducting an in-

vestigation to see if others are implicated.

Chalath, who has long been widely disliked by the army's senior officers, had been trying to cultivate a following among field-grade officers, many of whom are dissatisfied with the absence of strong leadership in the army and its ambiguous and indirect political role. Although a military council guides the current civilian regime, many in the army favor a return to more direct military rule.

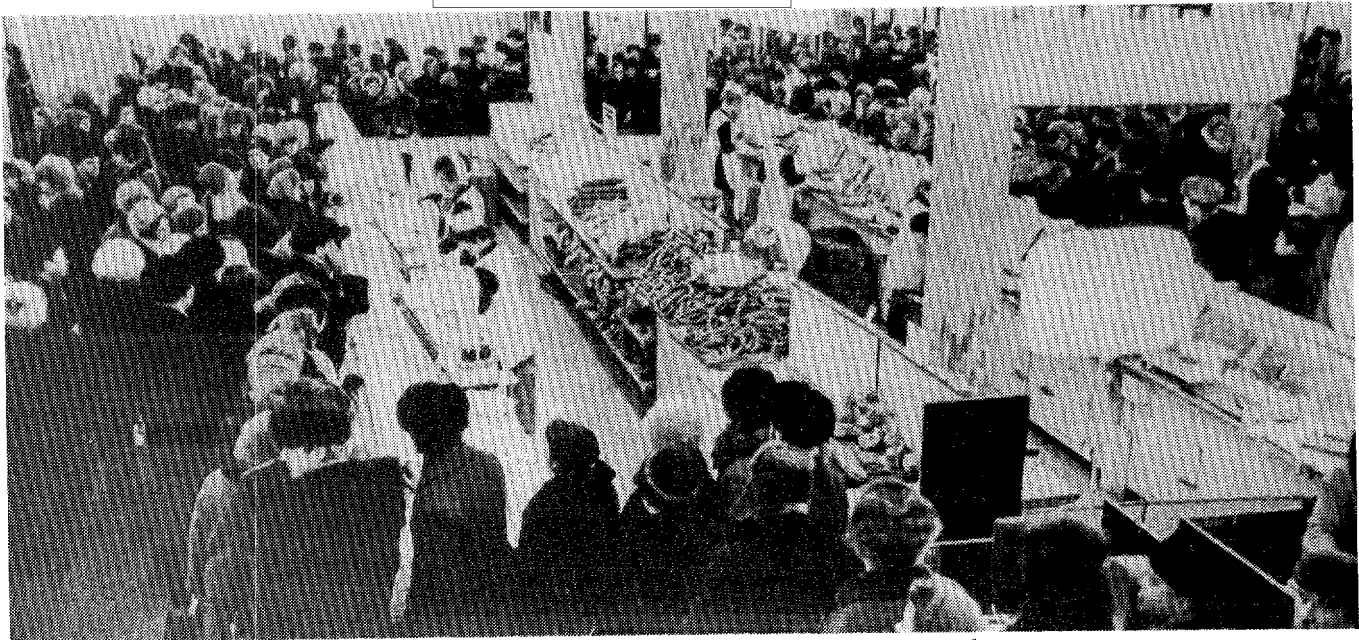
The failure of Chalath's attempt to exploit these feelings for his personal advancement will not dampen them, and they will continue to pose a latent threat to the tenure of the present government.

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*Soviet shoppers take their chances at limited meat supply*

## Europe

### USSR

52-55

Serious food shortages, stemming in part from the disastrous 1975 harvest, continue in some rural areas and in many cities of the USSR. Although the situation does not constitute a political danger to the regime, the shortages have caused some unrest and even work stoppages.

Meat and vegetables, including potatoes, are the main items in short supply. General Secretary Brezhnev acknowledged the problem in a major speech last week in which he attached "special importance" to increasing meat output and ensuring an uninterrupted supply of quality food to the people.

The latest Soviet statistics show that the long anticipated upturn in meat production has not materialized, even though feed grain from the record 1976 crop has been available for six months. A prominent Soviet agricultural economist told US embassy officers last month that

the meat situation would not return to normal for another six months.

One reason for the slow recovery is the need to rebuild herds depleted by distress slaughtering that began in the summer of 1975 and continued into early 1976. The extensive slaughtering of underweight animals has also been a factor.

Meat output during January and February was the lowest since 1970 and 16 percent below a year ago. Compared with early 1975—the most recent "normal" period—meat production was down by 25 percent in January and 13 percent in February.

The low output in the first two months of the year suggests that total meat production for 1977 is not likely to reach the 1974-75 level. Even if substantially more animals become available for slaughter later in the year, limited processing capacity and refrigeration facilities will hold down production.

Despite meat and vegetable shortages, overall supplies of staple foods are adequate, especially in the large metropolitan areas. Prices on the free market, however, are higher. Winter is usually a difficult time for Soviet consumers because of

problems in the generally inefficient distribution system. Recent public criticism of the rail transport sector indicates that these problems may have been worse than usual this year.

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### EAST GERMANY 47-51

The East Germans seem anxious to update their bilateral friendship treaties with other Warsaw Pact states before the follow-up conference on European security and cooperation begins this fall.

Late last month, party chief Honecker and his Hungarian counterpart signed a revamped friendship treaty to replace a pact negotiated in 1967. The new treaty is similar in most respects to the East German - Soviet treaty of October 1975, which highlights East Germany's emergence as an independent and sovereign state.

Polish leader Gierk will reportedly sign an updated pact when he visits East Berlin in May. The East Germans also plan to renegotiate their friendship treaties with Czechoslovakia, Bulgaria,

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and possibly Romania.

East German leaders probably believe that such statements underline their state's legitimacy and will thus be useful should East Germany decide to adopt a tougher stance on certain long-standing disputes with West Germany. Honecker hinted in a speech last month that there could be no progress in relations between the two Germanies until more basic questions are resolved—such as West German acknowledgment of a separate East German citizenship, and agreement on a final demarcation of the border.

## FRANCE

President Giscard's cabinet shake-up this week appears to be an effort to acknowledge the message sent by the voters in the municipal elections last month and may be the first step in an attempt to heal the rift between Giscard and Gaullist leader Chirac, which widened during the recent campaign. Giscard has

attributed the governing coalition's poor showing in the elections both to the frictions within the coalition and to the electorate's desire for change.

The cabinet shifts announced on March 29 created a government that is less partisan than its predecessor and appear to enhance Prime Minister Barre's authority. The foreign and defense ministers will stay on, as will a few technocrats who served in the previous cabinet.

Dropped from the government were the three ministers of state who served as spokesmen for their parties in the cabinet: Gaullist Olivier Guichard, Independent Republican leader Poniatowski, and centrist leader Lecanuet. These three had been in the forefront of the struggle between Giscard and Chirac for leadership of the ruling center-right coalition. Poniatowski and Lecanuet were extremely critical of Chirac's insistence on challenging Giscard's preferred choice for mayor of Paris, and Chirac may see their removal as a conciliatory gesture.

Barre reportedly insisted on the removal of the three in order to be able to run the government without pressure from political personalities. Giscard apparently agreed only after Barre had threatened to resign.

The new cabinet is essentially balanced among the four parties represented in the governing coalition, but it takes on a more nonpartisan coloration with the appointment of ministers who have not been as politically outspoken as those dismissed. It is by no means certain that this toning down will reconcile the diverse factions of the governing coalition, particularly if Giscard presses on with his reform program. Chirac's disagreement with Giscard on this matter was at least partly responsible for their split.

There are indications that this is just what Giscard plans to do. He still hopes that with reforms he can win back sufficient numbers of the middle-of-the-road voters who defected to the leftist opposition in the municipal elections to assure a victory for the governing coalition in the parliamentary election next year. The

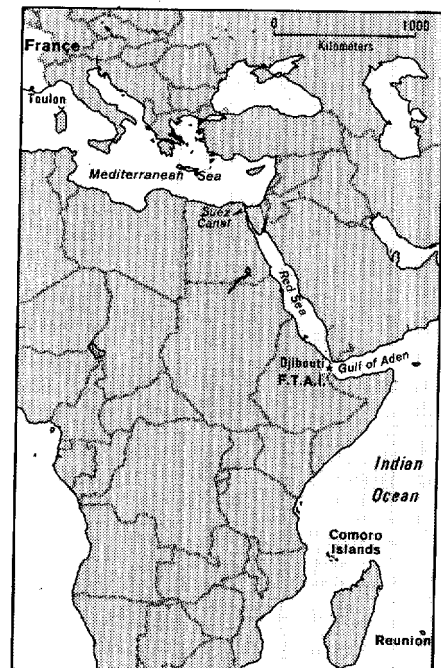
President has said that the new government will carry out the economic recovery program begun by Barre and will formulate an "action program" designed to help families, the aged, and unemployed youth.

## Carrier to Indian Ocean

France is preparing to send the aircraft carrier Clemenceau to the Indian Ocean via the Suez Canal. The French press reports that the ship, carrying fighter aircraft and helicopters, will leave the Mediterranean port of Toulon in several weeks.

The carrier will participate in exercises with French naval forces already in the Indian Ocean and return to Toulon in early summer. The cruise date reportedly was advanced so that the Clemenceau could be in the area of the French Territory of the Afars and Issas at the time of its independence, scheduled for June 27.

Although the French maintain small military contingents on Reunion and the Comoro Islands, France's only remaining major base in the Indian Ocean is at Djibouti, the capital of the FTAI. The French may be asked to leave the base after the FTAI becomes independent.



Prime Minister Barre

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Djibouti's strategic location near the entrance to the Red Sea has enabled the French to protect key oil supply routes to the West and to monitor Soviet naval activity in the Gulf of Aden. The French Indian Ocean flotilla, which numbers about 15 ships, is the largest Western naval force in that ocean. Although the USSR usually has a few more ships there, the French have the superior military force. Normally, a greater percentage of the French force consists of combat ships carrying antiship missiles.

The French have already established floating command and support facilities in the Indian Ocean and appear determined to maintain a sizable naval presence there regardless of the fate of their Djibouti base. [REDACTED]

UK

British Chancellor of the Exchequer Denis Healey, in his budget speech this week, announced a \$2.6-billion net tax reduction package aimed at gaining union support for a third year of wage restraints. Although the overall size of the tax package is in line with union demands, the conditional nature of most of the cuts probably will disappoint the unions and make negotiating continued wage restraints difficult.

Healey said that unconditional income tax cuts amounting to \$2.2 billion will be granted in the coming fiscal year, largely in the form of increased personal tax exemptions. These tax cuts will be largely offset by higher taxes on several items, including cigarettes and gasoline. Another \$1.7 billion in personal income tax cuts, including reducing the minimum tax rate from 35 to 33 percent, will hinge on the outcome of wage restraint talks with the unions.

The tax package does little to help the higher paid, who have been hard pressed by wage curbs, high taxes, and rapid inflation. The Confederation of British Industry, Britain's most important

employer organization, pushed for a two-year reduction in the maximum tax rate, from the current 83 percent to 60 percent. However, the only tax concession for the wealthy mentioned in the package was a \$2,000 increase in the income threshold for the top rate.

Healey did not specify any limits on wage increases. Last year, the government tied the conditional tax cuts to a 3-percent increase in wages. This proposal, however, was rejected by the unions and later replaced by a 4.5-percent ceiling.

Given the drop in real disposable income last year and the erosion in pay differentials over the past 20 months, the government was clearly in no position to press for any set wage ceiling at this time. Many rank-and-file union members are strongly opposed to a third year of wage restraint, although the union leadership still seems willing to work out an agreement with the Callaghan government.

Overall, the budget will have a mildly stimulating effect on the economy. The tax measures are likely to increase employment by 100,000. Despite the tax cuts, Britain's budget deficit probably will drop by about \$500 million in the coming fiscal year, in large part because of the projected cut, in real terms, in public spending. [REDACTED]

## Western Hemisphere

### PANAMA-LIBYA

Panamanian Chief of Government Torrijos plans to visit Libya and perhaps other Arab countries later this month. Torrijos will doubtless use the occasion to demonstrate that his hosts support Panama's position in the canal treaty talks with the US.

Torrijos' plans call for him to be in Libya at mid-month for about five days. He apparently wants to discuss with Lib-

yan President Qadhafi the possibility of Libyan economic and military aid.

Panama remains eager to obtain loans to help cover its budget deficit and meet service payments on its foreign debt. Last year, Panama tried to secure a \$300-million loan from Libya, but the deal apparently fell through when the Libyans attached political "strings" to the loan.

Torrijos is not likely to conclude any large arms deal during his stay in Libya. Last year, Qadhafi reportedly offered to sell Panama, on generous terms, any arms and equipment it needed. Panama did not take up the offer, probably because of its growing economic troubles and because over 90 percent of its arms are produced in the US. [REDACTED]

### PANAMA

There is a good chance that Panamanian students will renew their protests against the Torrijos government this spring. The school year began this week in secondary schools and resumes in early April for university students.

The protests, if they materialize, will focus on increased taxes, rising prices, growing unemployment, corruption, and the government's revision of the pro-worker labor codes, according to the US embassy in Panama. Student-led demonstrations last September over the same issues led to the worst violence in the country since General Torrijos took power in 1968. The national guard forcefully put down the riots in September and can probably be counted on again to take a tough line against student protests.

Three radical student groups are stirring up the antigovernment sentiment. Members of these groups have recently increased their influence and strength in student elections held at schools. Although the protests are likely to focus on unpopular government measures and on the government itself, anti-US demonstrations over the canal treaty negotiations cannot be ruled out. [REDACTED]

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*South African Prime Minister Vorster probably remains eager to bring about a negotiated settlement of the Rhodesian conflict. His continued support for the white regime there will be conditioned by a pragmatic assessment of the political and economic costs of such support.*

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## South Africa: The Rhodesian Problem

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As long as the white regime in Rhodesia stays in power it will be heavily dependent on South Africa for vital economic and military support. Rhodesian Prime Minister Smith's rejection early this year of the British proposals for resuming settlement talks at Geneva was a gamble that South Africa will resist international pressures to force concessions while he tries to arrange his own deal with "moderate" black nationalists.

South African Prime Minister Vorster has assumed a decisive role in pushing Smith into resuming talks with the black nationalists on three occasions since late 1974. Whether he will do so again depends primarily on his assessment of prospects for the emergence of a successor government in Rhodesia that is both stable and willing to maintain constructive relations with South Africa.

Vorster's decision will also be conditioned by the deeply ambivalent attitudes that South African whites have held toward the Smith regime since its unilateral declaration of independence in 1965. The Afrikaners, as well as English-speaking South Africans, have a strong sense of solidarity with white Rhodesians because of kinship ties and a long-held belief that a white-ruled Rhodesia is necessary for white supremacy in South Africa.

Government leaders in Pretoria have long recognized, however, that support for Rhodesia entails risks for South Africa. Many South Africans now realize that the Rhodesian conflict is a menace to South Africa. Vorster nevertheless feels

compelled to avoid any action that would appear to push white Rhodesian leaders toward a "sellout" to the black nationalists.

The economic sanctions against Rhodesia that followed its declaration of independence have posed hard choices for government leaders in Pretoria. South Africans have substantial economic interests in Rhodesia, but, more importantly, they regard the UN sanctions against Rhodesia as a dangerous precedent because international critics of apartheid have long advocated sanctions against South Africa. On the other hand, the South African leaders have recognized that flagrant South African assistance to Rhodesia would further inflame hostile attitudes throughout black Africa and spur demands for sanctions against South Africa.

South Africa's declared response to Rhodesian independence has been "noninterference" and "business as usual." Pretoria has withheld diplomatic recognition of the Smith regime and refrained from open economic or military aid. At the same time, however, South Africa has quietly provided Rhodesia with substantial economic and military support, which has become increasingly vital for the Smith regime under the cumulative impact of sanctions and insurgency.

By mid-1974, when it became clear that Portugal would soon abandon its African colonies, Vorster perceived that his government had to choose between openly propping up Smith and working toward coexistence with a black government in Mozambique. By the end of the year,

Vorster was quietly pushing Smith toward a compromise settlement that, Vorster hoped, would bring about an orderly transition to a moderate black government within five or ten years.

Since the collapse in August 1975 of joint mediation efforts by Vorster and the presidents of the African states on the "front line" of the Rhodesian conflict, Vorster has been more anxious than ever to head off an escalation of the Rhodesian guerrilla war. Such an escalation, Vorster believes, would increase communist influence in Rhodesia and in the front-line states.

### Economic and Military Support

The most important single aspect of South African support for "independent" Rhodesia has been providing transit for an increasing portion of Rhodesia's overseas trade. In 1973, some 70 percent of Rhodesia's overseas trade passed through seaports in Mozambique. Since Mozambique closed its borders with Rhodesia a year ago, South African ports and railroads have handled almost all of Rhodesia's overseas trade.

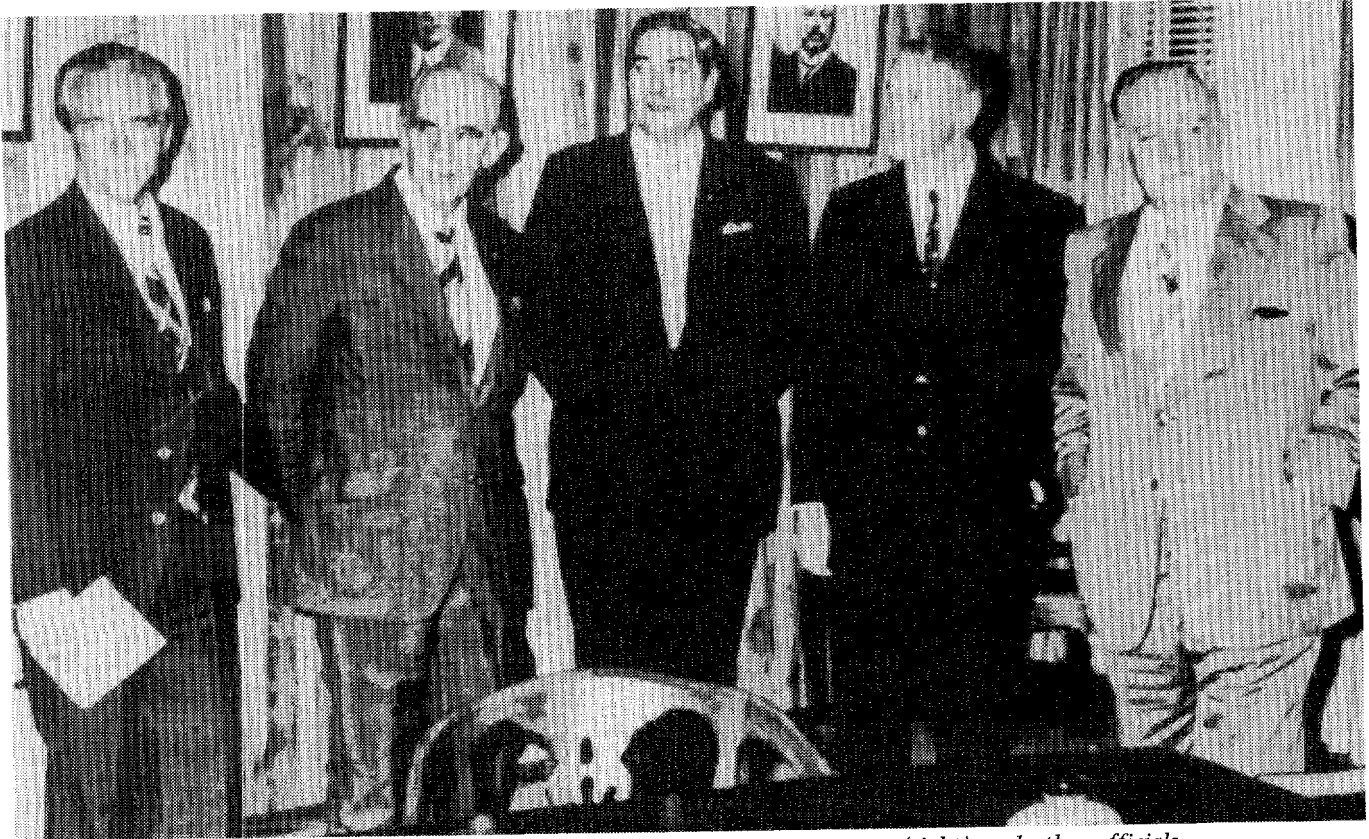
Much of the foreign capital invested in Rhodesia since 1965 has come from South Africa, and South Africans have bought significant amounts of the Rhodesian exports that have been embargoed elsewhere. The South African government has adopted an ostensibly aloof pose, neither enforcing international sanctions nor advertising its connivance in violating them.

Although South African military support to Rhodesia has not been extensive, it has become critical with the recent expansion of foreign-backed insurgency.

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*Prime Minister Smith (second from right), Prime Minister Vorster (right), and other officials pose during discussions in February concerning racial strife in southern Africa*

Rhodesia depends heavily on South Africa for military materiel because UN arms sanctions have been more widely observed than the ban on nonmilitary trade. It seems unlikely that the tempo of Rhodesian counterinsurgency operations during the past year could have continued to increase without some parallel increase in the flow of supplies from or through South Africa.

The South African and Rhodesian military establishments have long maintained close, albeit informal, contacts.

Pretoria, however, has for the most part kept its military presence at the minimum essential to implement its support for the

Rhodesian counterinsurgency program.

South African military supplies to Rhodesia slowed last summer, and Rhodesian officials surmised—there is no hard evidence—that Vorster orchestrated the delays to nudge Smith toward settlement talks. In late January, after Smith rejected the British proposals for resuming the Geneva conference, Vorster told the South African parliament that he

would not enforce economic sanctions against Rhodesia. In explaining his position, he reasserted his government's opposition in principle to the use of boycotts for political purposes. He condoned Smith's refusal to resume talks in Geneva because, he said, the latest British proposals were inconsistent with the "five principles" of a Rhodesian settlement accepted by Smith last year, which Vorster indicated he as well as Smith still regarded as a valid basis for negotiations.

#### **Vorster's Dilemma**

Although Vorster's remarks will encourage Smith to hold out against further concessions to the black nationalists, Vorster probably remains eager to bring about a negotiated settlement of the Rhodesian conflict. An indefinite suspension of settlement talks would spur the black nationalists to step up their

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guerrilla operations and evoke additional military aid from African and communist countries.

As long as a buildup of foreign aid for the guerrillas continues, Vorster's only option may be to make increases in military aid to the Smith regime contingent on Smith's acting in accordance with South Africa's basic interests. Vorster may encourage Smith to reach agreement with moderate black nationalists, for instance, and also insist that Smith proceed with a genuine transition to majority rule. He may also insist that the Rhodesian armed forces desist from major strikes into Mozambique, Zambia, and Botswana, in order to keep the door open for an international agreement limiting the escalation of guerrilla warfare.

Such a strategy, however, would not be tenable in the South African political arena unless Vorster's curbs on Smith were matched by comparable pressures on the black nationalists by major Western countries and the front-line states.

If no diplomatic solution emerges and white Rhodesians see no alternative except surrendering to militant nationalists or fighting to the bitter end, Vorster may feel that South Africa should not back a hopeless struggle that would further strain its relations with the West and

prevent an eventual detente with black Africa. Hence, he may want to limit South African intervention to a brief rear-guard operation to prevent a massacre of white Rhodesians.

Many South African whites, however, may conclude that a final breakdown of Rhodesian settlement talks proved the fallacy of Vorster's detente policy. Instead of waiting passively for a pan-African onslaught, they would argue, it is better to fight the inevitable battles in Rhodesia or in Namibia, or even to launch a preemptive strike at Maputo. Such arguments could sway the bulk of South African whites in an actual emergency.

In such an extremity, the usually pragmatic Vorster would be likely to sidestep doctrinal debate and focus on the practicalities, presenting proposed actions in terms of costs and resources. The costs of increasing military shipments to Rhodesia would sooner or later exceed Rhodesia's limited foreign exchange reserves and raise the issue of whether South Africa should assume the financial burden. Furthermore, South Africa cannot export large amounts of indigenously produced arms, equipment, and supplies without depleting reserve stocks for its own armed forces.

Deciding the affordable limits of South

African military aid to Rhodesia would involve Pretoria in assessing a broad range of variables, from needed troop strengths in South Africa and Namibia to prospects for the South African economy, which is highly vulnerable to adverse international trends. If Vorster concludes it is necessary to take a public stand against further aid for Rhodesia, he may well rest his case on the persistence of unrest among South Africa's urban blacks since last June, and on economic exigencies.

South Africa's regular and paramilitary police coped fairly effectively with the urban violence that swept the country last summer. The military forces, with minor exceptions, were not directly involved. Hence, immediate internal security needs would not be a barrier to sending some combat troops to Rhodesia.

On the other hand, South African whites are deeply worried over the indications that the radicalization of thousands of black students is providing eager recruits for the foreign-based insurgent groups that have long been impotent inside South Africa. The sense of emergency may favor public acceptance of any curtailment of aid to Rhodesia that Vorster presents as essential for internal security.

Pretoria's need to conserve limited foreign exchange reserves may become the most persuasive reason—to South Africa—for curtailing military support whenever the Rhodesians are unable to pay for procurement or openly appeal for South African troops. South Africa's economy is only now beginning to show signs of recovery after two years of severe recession.

Since 1975 the foreign exchange bind has been brought home to the public by currency devaluations, import controls, and increased living costs. Even before the Soweto riots last year, commentators were warning that unemployment among urban blacks was increasing at a rate that could fuel smoldering unrest. Government leaders have acknowledged that major increases in military expenditures since 1974 are a significant factor in the foreign exchange bind.



*Rhodesian security troops question villagers in area of guerrilla raids*

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*The USSR is continuing to focus its arms supply program on the Arab states of North Africa and the Middle East. Although Soviet economic aid goes to an increasing number of countries, Arab states still account for a third of the USSR's worldwide commitments.*

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## USSR: Relations with Arab States

The USSR's influence and presence in the Middle East have declined markedly in the last few years. Egypt and Syria have reduced or loosened their ties with the USSR and sought alternative military and economic support from wealthy Arab states or the West. Saudi Arabia has aggressively used its economic resources to reduce Soviet influence in such traditional strongholds as South Yemen and is considering a similar move in Somalia.

Jordan has recently flirted with possible Soviet military assistance, but only as a ploy to press the West and wealthy Arab states to finance equipment. The USSR continues to supply radical Arab states like Libya and Iraq with modern, sophisticated weapons in an effort to retain some influence in the Arab world and to earn hard currency.

### Military

Since 1955, Algeria, Egypt, Iraq, Libya, Morocco, Syria, North Yemen, and South Yemen have received about two thirds of Soviet military commitments to the third world and 70 percent of deliveries.

Some of these states have received some of the newest and most sophisticated equipment in the Soviet arsenal; about 18,000 of their nationals have gone to Soviet institutions for advanced training. In 1976, almost 6,000 Soviet personnel were in the eight Arab countries as military technicians and advisers to local military establishments.

The USSR continues as before to focus its arms supply program on the Arab states of North Africa and the Middle East, despite a recent reduction in arms shipments to Syria and the decline of shipments to Egypt to a mere trickle. While this group of states claims the same share of total Soviet military sales to developing countries as before 1973, the distribution among states has changed. Libya, Iraq, and Algeria have emerged as major recipients, following the shift in 1973 from Egypt to Syria and more recently to Iraq.

The USSR's military supply program, originally designed almost solely to serve political goals, is now providing substantial economic benefits as well. The USSR has been demanding payments in hard currency (or equivalent goods, such as oil) for its sophisticated military equipment, and contracts with cash customers such as Libya have been fulfilled with particular speed. Algeria and Iraq also are believed to pay cash. This would mean a hard-currency flow exceeding \$1.2 billion from these three countries alone in 1976.

There have been several highlights in the shifting relationships in recent months:

- After heavy deliveries to Syria in the first half of 1976, the USSR sharply curtailed its arms shipments beginning in July. No major military equipment deliveries have been noted so far in 1977. Syria, meanwhile, deliberately reduced its dependence on Soviet military advisers and technicians to about 2,000 in early 1976 from a peak of more than 3,000 in 1974 and 1975, and further cuts may have occurred since then.

- Iraq received some \$475 million worth of Soviet military hardware in 1976, a near record level. In recent months, the Iraqis and Soviets apparently worked out final details of a \$1.2-billion arms contract agreed to in principle in 1976; the deal moves Iraq to first place among current recipients of Soviet arms.

- Libyan arms receipts from the USSR exceeded the half-billion-dollar mark.

- Algeria received last year, under a 1975 accord, about \$200 million worth of Soviet arms, including the first aircraft deliveries from the USSR in two years, the first Osa-II missile attack boat, and other sophisticated equipment.

For all its Arab clients, except Morocco and Libya, the USSR had been virtually the sole military supplier until 1974. In the past several years, however, a number of these countries have begun to diversify their sources of supplies. Egypt, Iraq, and Syria placed \$1.6 billion worth of orders in the West between 1974 and 1976, although deliveries in those years were less than \$500 million.

Egypt's pressing supply problems pushed that country to seek more arms from noncommunist suppliers, although its efforts have sometimes been stymied when Saudi funding was not forthcoming. Egypt's orders in the past three years have totaled only about \$560 million, mostly in France and the UK.

Iraq's 1974-75 purchases of Western arms, largely from France, totaled almost \$750 million, making Iraq—of the eight Soviet clients in the Middle East—the largest purchaser in the West. Iraqi orders from the West dropped in 1976 to less

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than \$100 million; there are, however, unconfirmed reports that Iraq is still interested in F-1 jet fighters from France. Syria also turned to France in the last two years to purchase about \$100 million worth of helicopters, missile systems, and support equipment.

#### Soviet Economic Aid

Soviet economic aid, which is not as highly politicized as Soviet military aid, has generally gone to the same countries and is not as vulnerable to rapid change when political relations sour. The Syrian venture in Lebanon has not had any noticeable effect on the Soviet-Syrian economic aid relationship, although the Syrians claim the USSR is slowing down on deliveries and postponing decisions on new projects. In Egypt, the Soviets have continued to work on major development projects but they have apparently reduced the number of advisers and have made no major new project commitments.

Soviet economic aid has been distributed to a broader range of countries than Soviet military aid, but Arab states still have accounted for a third of Soviet worldwide economic aid commitments and deliveries. Egypt is the second largest recipient, and Syria, Algeria, and Iraq are among the top eight.

The Arab states in 1976 took an overwhelming share of new Soviet development assistance to the developing countries, and 45 percent of Soviet technicians in the developing countries were stationed in Arab states. Of the 8,900 Soviet technicians, 100 were in Arab states that do not receive aid. Among those that do, Iraq had the largest number—2,900—followed by Algeria with 2,500.

In most cases, Soviet aid last year was small in comparison with that from other sources, but Soviet aid did provide important new development assistance to most of the recipients.

- New Soviet pledges to **Syria** and **Algeria** were the largest aid commitments ever received by these countries from the USSR.

- Soviet allocations for continuing projects in **Syria** included preliminary



*Soviet party chief Brezhnev and President Qadhafi of Libya meet last December*

land reclamation work in the Euphrates dam area and efforts to expand oil production.

- Soviet assistance to **Algeria** covered the first stage of an aluminum plant and associated facilities.

- A new economic agreement with **Iraq** reportedly will triple Soviet assistance to Iraq in the next five years compared with the last five. It is open-ended, and its value probably will exceed the conservative estimate of \$150 million allocated to power and irrigation projects. In addition, Moscow is undertaking \$1 billion in projects under commercial contracts.

- Soviet assistance to **South Yemen** provided for thermal power and agricultural development and for fishing trawlers.

- Soviet credits to **Jordan** subsumed and expanded aid under an earlier agreement and provided assistance to training establishments and for oil exploration and power development.

- Soviet assistance to **Tunisia** will allow the continuation of a water development program for which the Soviets gave initial assistance 15 years ago.

Egypt, which has not received new Soviet aid since 1974, continued to receive deliveries in 1976 for projects under construction before President Sadat

abrogated the Soviet-Egyptian Friendship Treaty. The USSR provided fisheries aid, assistance to agriculture and rural electrification, and aid in building cement plants and textile mills. Expansion of the steel mill at Hulwan—the largest Soviet project in Egypt—was on schedule, and capacity at the Naja Hammadi aluminum plant was being increased.

Soviet economic aid has never been a crisis-oriented program. The USSR does not respond with emergency economic assistance in the way it provides such military aid, nor has the USSR provided hard-currency assistance to the Arab states. The program is confined largely to the development of infrastructure and public sector industries, and aid comes in the form of equipment and technical assistance from Soviet sources.

Soviet aid was virtually the only development assistance offered some Arab countries for long periods. More significant, the Soviet contribution in many cases helped create a nucleus for public sector development—in Syria and Iraq, for their national oil industries; in Algeria, for steel; in Egypt, for a heavy industrial base. The Aswan and Euphrates dams are impact projects but also the core for expanding agricultural output and the nations' electric power.

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